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TO: The Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

I submit the enclosed statement ("Redesign the 'Fast Track' to Free-Trade Ratification") for inclusion in your committee's published hearing on "U.S. Trade Preference Programs" (a hearing conducted on November 17, 2009).

The first half of my statement reveals my long involvement with trade policy -- preferring advocacy of a fully multilateral free-trade strategy indispensably including a well-designed economic-adjustment program. The second half of my statement advocates an innovative way to ensure "fast track" ratification of any trade agreement (preferential or otherwise) the president negotiates. "Fast track", to date, has never been a proper way to seek Congressional approval of trade agreements the president may negotiate.

Now 91 years old, freelancing these days on issues I profess to know a lot about, I have been diligently concerned with trade policy for over half a century. The enclosed reprint from the Journal of Commerce 27 years ago is just one indication of my long concern with trade policy in the national interest -- especially my preferring a fully multilateral free-and-fair trade strategy rather than an array of preferential trade agreements.

Sincerely,

David J. Steinberg

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Redesign the "Fast Track" to Free-Trade Ratification

I have been advocating a definitively free-trade policy since the mid-1960s, when I was chief economist (later also the executive director) of the Committee for a National Trade Policy, a nongovernment organization dedicated to freer world trade in the national interest. It was a time when most Americans who today call themselves "free traders" avoided this label, preferring to be known as advocates of "freer trade" or a "liberal trade policy". My explicit advocacy of free trade at that time was not favorably regarded (because considered unrealistic) by trade-policy officials of our government and proponents of freer trade in the business community.

Continuing my advocacy of a definitively free-trade policy backstopped by a well-designed domestic adjustment program, I in 1974 established (and became president of) a new organization -- the U.S. Council for an Open World Economy -- dedicated to a multilateral U.S. free-trade strategy with well-designed dimensions in both domestic and foreign-economic policy in the overall national interest.

When our government began negotiating bilateral free-trade agreements with a few individual countries in the 1980s, I took exception to that version of a free-trade policy, not only because I preferred a fully multilateral free-trade strategy, but also because I was concerned that not enough attention was given to backstopping free-trade agreements with a well-designed domestic policy ensuring that free-trade agreements advanced, not only the overall national interest, but also the interest of every state in the Union (and every U.S. offshore territory as well).

Currently free-lancing on this among other issues, I continue to oppose (except for foreign-policy emergencies) the negotiation of free-trade agreements with individual countries or selected groups of countries (for example, the North American Free Trade Agreement and the Central American Free Trade Agreement) -- not only because these agreements are not the fully multilateral free-trade strategy I prefer, but especially because (a) they result in discrimination against countries not signatory to such agreements, and (b) the policy lacks well-designed attention to the problems various U.S. states and offshore territories may encounter from implementation of these free-trade agreements.

Absence of a statutory requirement of well-designed, nationwide preparedness for the adjustment problems various sections

of our country may encounter from the free-trade agreements the president sends to Congress for ratification currently prompts my opposition to outright renewal of the so-called "fast track" method of Congressional ratification of trade agreements -- the limitation of Congressional options to an up or down vote on the agreement under consideration.

Reform of the Ratification Process

Reforming the process of trade-agreement ratification should be more extensive than insistence that free trade be fair trade -- usually defined as insistence that the country or countries accorded free-trade status should enforce the labor standards enunciated by the International Labor Organization of the United Nations, and appropriate environmental standards as well. Nor would ensuring the adequacy of the longstanding trade-adjustment-assistance program be enough -- a program that helps workers who lose their jobs to import competition retrain for new employment. Much more than all these assurances is needed to make sure that free trade with the particular foreign country (or countries) adequately serves, not only the overall national interest of the United States, but also the interest of every state in the Union (and every U.S. offshore territory as well).

To fulfill these standards, there should be a statutory requirement that, when the president of the United States sends a free-trade agreement to Congress for ratification, Congress -- as a condition for ratification -- should be confident that the agreement will indeed serve, not only the overall national interest, but also the interest of every U.S. state and offshore territory. To fulfill this expectation, the statute on trade-agreement ratification should require Congress to invite the governors of all the states and territories to (a) identify major problems their respective jurisdictions would predictably encounter from the particular free-trade agreement, and (b) identify federal-government assistance that may be needed to help address these problems.

In anticipation of such concerns, the president (through appropriate executive branch officials) should be expected to seek information on adjustment problems likely to result from contemplated free-trade agreements. He should (a) take steps he has the authority to take to help solve such problems, (b) urge steps particular state and local governments should take, and (c) advocate steps Congress itself should take to facilitate successful adjustment to likely adjustment problems.

With these reforms, the process of trade-agreement ratification -- heretofore an up-or-down vote known as "fast track" -- would be put on the right track.

Washington Lobbyist Campaigns For Long-Term Free Trade Strategy

By RICHARD LAWRENCE
Journal of Commerce Staff

WASHINGTON — Reagan administration trade policy, however, "bold" it may seem to administration officials, is "very inadequate," says David J. Steinberg.

And Washington's "liberal trade policy" lobby, he insists, is myopic, made up of people who focus on "short-term" problems with little sense of perspective. They "wallow," he says, in "fuzzy concepts like liberal trade, freer trade and fair trade."

What the world needs now, argues Mr. Steinberg, this city's longest campaigning free trade lobbyist-advocate, is a "free trade charter," which, he suggests, the administration should propose at this November's ministerial meeting of the General Agreement on Tariffs and Trade.

The charter, calling for the eventual free international flow of goods, services and capital, would set the kind of long-term goal, he says, that nations need to peel away impediments to trade and investment, not only this year or next but through the rest of this century.

He applauds the Reagan administration for its free trade "philosophy" and its proposals to negotiate international rules on services trade and investment, but, he contends, it must set the world's sights higher, toward ultimate free trade.

Mr. Steinberg, who heads the U.S. Council for an Open World Economy, a non-profit public advocacy unit,

admits to being an "idealist," but not an "ideologue."

He rejects free trade for free trade's sake. It must be accompanied, he emphasized in an interview, by "fair trade," in which nations, especially the industrial countries, adhere to the same competitive rules.

Free trade also can come only with sound domestic and social policies, which promote competitiveness and "full employment," he says. Again, despite the recently enacted tax benefits to business, the Reagan program of regulatory relief and antitrust policy reviews, Mr. Steinberg contends the government is not doing enough to make U.S. industry competitive in "the world market."

He opposes government "Japanese-style" where "sunrise" industries are singled out and "sunset" industries marked for "extinction." There is "too much simplistic talk about giving up old-timers like textiles and shoes," he says. Neither does he favor government help for industries whose survival depends on the government.

But, he contends, the government needs a "coherent redevelopment strategy" for helping industries with competitive problems. It must, he argues, look more deeply into their problems and take practical actions — in federal regulations, tax and antitrust policy, financing or worker retraining — to help restore their competitiveness.

He cites the Carter and Reagan efforts for the steel and auto industries as along the lines of government help he advocates, but even in those cases he feels the government could do more, especially in the way of systematic followup.

But Mr. Steinberg has one big caveat. Import restrictions should be the "measure of last resort" in any industry redevelopment program.

The government, he contends, should alter its procedures for industries seeking import quotas or higher tariffs. Instead of weighing only whether to restrict imports, it should consider the more basic steps it could take to make the industry competitive.

"The time has come to reform the pig-in-a-poke" approach to industry import problems, he says. If import controls are applied, the American public has "a right to know" how the industry will use them to revitalize itself. It also has the right to know, he says, how the government assesses the industry's plans.

Mr. Steinberg scores the Reagan administration's decision to virtually

end the trade adjustment assistance program, by which firms hurt by imports won financial and technical help and workers received cash allowances, job search, retraining and relocation benefits.

The program was always "inadequate," he says, but at least it was in

the direction of the kind of "redevelopment" program America needs. Phasing out trade adjustment assistance is "unwise, in social, economic and political terms."

Mr. Steinberg entertains few illusions about "the selling" of his "free trade charter," here or abroad. Most people in government, he concedes, regard it as "a far out idea," not "politically palatable." Getting the major nations to discuss such a charter would be "a most formidable undertaking," he admits.

Yet he insists that eventually its time will come, if the United States and President Reagan himself makes the clarion call. He foresees support for such a charter developing primarily among the more "enlightened" business groups, although, so far, he says, most multinational corporations have seemed surprisingly shortsighted.

David J. Steinberg, Defender of Free Trade

Journal of Commerce Staff

WASHINGTON — David J. Steinberg, a Harvard graduate in government and economics, was a Marshall Plan official in the early 1950s before becoming a Washington economic consultant and eventually chief economist executive director of the Committee for a National Trade Policy.

The committee, financed largely by multinational companies, was the first Washington-based group organized to promote freer world trade. Formed in 1953, it was disbanded 20 years later. Since then, Mr. Steinberg has led his own public advocacy group, financed by companies and individuals. But, he emphasizes, he represents his own views, not necessarily those of his contributors.

Mr. Steinberg, over the years, probably has delivered more testimony on trade policy before congressional committees than any other person. He prides himself on trying to keep the government "honest" on foreign trade matters, particularly import policy.

Examples include the continuing "Buy American" strictures Congress places on Defense Department procurement of textiles, apparel and specialty metals. Such "sacred cow" subsidies, he maintains, need "probing." They have been around for years, he says, yet nobody in government knows their cost or periodically assesses whether they are still needed.

His direct involvement in U.S.



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trade policy dates back to 1961, when as chief trade policy consultant for the Senate Commerce Committee he helped prepare a report from which President Kennedy drew ideas for the landmark 1962 trade expansion act.

In 1970, Mr. Steinberg, with then-senator Paul Douglas, drafted a nationally circulated petition endorsed by 5,000 U.S. economists opposing the protectionist threat of the day, which became popularly known as the Burke-Hartke bill.

His books include "The Sterling Area, An American Analysis," "Cambodia, Its People, Its Society, Its Culture" and "The U.S.A. in the World Economy."